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Notes from the Deputy Assistant Secretary

The basic premise of student financial aid has always been that it is the responsibility of parents to educate their offspring. The Federal student aid programs were originally established to help those students and their families who were unable to meet the cost of postsecondary education.

As the determination of independent student status is liberalized the number of independent students has increased. This increase places greater and greater pressures upon limited, and through inflation, dwindling student aid funds. No one denies that the older returning student may well be independent and should be treated as such. Nor are our concerns focused on the 18-22 year olds who are wards of the court, or whose parents are deceased. Our concern is with the traditional 18-22 year olds who enter college soon after graduating from high school. This population makes up about 42-46 percent of the eligible independent Pell Grant applicants. A substantial number of individuals within the financial aid community report that "independent" status is contrived by many of the applicants applying for financial aid because there is no extensive confirmation of "independency" through the review of parents' tax statements.

Several things are happening under the current Federal definition of "independent student."

- 1) The traditional role of the parent in financing postsecondary education is eroding.
- 2) Parents and students are being encouraged to either lie about the support or "plan ahead" for a year and create an artificial independence.
- 3) As less resources are contributed by parents and students to pay for postsecondary education, greater demands are placed upon limited state, institutional, and Federal resources.

- 4) Confidence in the integrity of the Federal student aid programs is also eroding. The pressures are twofold on the honest family who sees their neighbor "beat the system" — to join the "winners" and rip off the system and/or no longer support institutional, state, and Federal student aid programs.

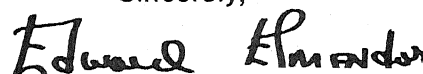
It is our intention to propose changes in the current definition of "independent" and "dependent" students. The question is how. We are seeking your participation in these deliberations. Many of your colleagues have told us of the need to change the definition. Several states that have used the Federal definition for the sake of consistency have told us that they are going to change — with or without us.

The following article on the "independent student" is composed of:

- 1) A very extensive description of how and why the definitions began and how we got to the 1981 definition of independent student.
- 2) The treatment of independent students in the current need analysis systems.
- 3) Some state experiences, and
- 4) Options we are considering.

Please share your thoughts with us.

Sincerely,



Edwa

The Independent Student Issue

The basic premise for all need-based financial aid programs is that the student and his or her family have the primary responsibility for financing the student's postsecondary education. Federal aid is intended to meet only those educational costs which remain after the student's resources and an ex-

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pected contribution from his or her parents have been taken into account. At the same time, there is a category of students who are financially independent of their parents and who cannot expect their parents to bear the cost of their education.

The problem of defining an independent student in a manner which is acceptable and which can be easily administered has always been a controversial issue in the administration of aid.

This issue is underscored by the fact that between 42 and 26 percent of all eligible applicants in the Pell Grant Program file as independent students each year and similar percentages are evident for the campus-based programs (National Direct Student Loan (NDSL), College Work-Study (CW-S), and Supplemental Educational Opportunity Grants (SEOG)).

Historically, the primary concerns about the definition of an independent student revolve around questions of improved equity and veracity, rather than the development of a definition with the purpose or reducing the proportionate share of applicants filing as independent students. There is a substantial movement by the financial aid community to re-examine this direction, because of reduced Federal program funding levels and continued increases in the cost of higher education.

Currently there appears to be general consensus among financial aid administrators that any definition of an independent student should meet certain basic requirements:

1. It should maintain the concept that the primary responsibility for meeting the cost of post-secondary education belongs to the student and his or her family.
2. It should be based on objective and verifiable criteria and require the least possible amount of personal information from the student and his or her family.
3. It should prevent inequities in the classification of applicants to the fullest possible extent.
4. It should be readily understood by students and their parents.

Discussion

The current self-supporting or independent student test requirements for the Pell Grant Program

(34 CFR 690.42), the National Direct (Defense) Student Loan Program (34CFR 674.2), the College Work-Study Program (34 CFR 675.2), and the Supplemental Educational Opportunity Grants Program (34 CFR 676.2) are based on criteria which evolved from the National Defense Student Loan Program established in 1958 by the National Defense Education Act (P.L. 85-864). Since passage of the 1980 Education Amendments, the Guaranteed Student Loan Program has adopted the same definition.

Section 20(B) (1) of the National Defense Education Act required that — A loan shall be made only to a student who is in need of the amount of the loan to pursue a course of study...

The earliest student loan applications asked for financial information based upon the parent's Federal income tax returns for the most recently completed year prior to the year in which aid was requested. These fundamental criteria — actual parental tax return information from the base year — were in place at the outset of the loan program's operation in the 1959-60 academic year and remain unaltered to the present.

During the early years of the National Defense Student Loan Program the question of self-supporting student status was relatively rare. The 1964 NDSL Manual of Policies and Procedures addressed the self-supporting question as follows:

Cases requiring special treatment. In the typical case between the total estimated resources and the total estimated college-related expenses will indicate the approximate amount of assistance which the applicant needs to see him through the period under review. Experience indicates, however, that there will be a variety of worthy cases which depart from the norm, and which will require special attention and treatment. For example, some students can expect no assistance from their families. They may be "on their own" in seeking a higher education, although their families may have resources. Other applicants may be obliged to contribute to the case of a dependent parent or younger children in the family. (Paragraph No. 10304, NDSL Manual 1964)

This statement was amended by a College Work-Study Program Administrative Memorandum, dated November 9, 1965, which established two criteria for a self-supporting student. The November 9, 1965, memorandum stated in part that —

When, in the judgment of the institutional financial aid officer, or other person charged with assessing student financial need, the facts surrounding a given application warrant exempting parental income and/or assets as a source of support, the institution may disregard the income of parents or other persons *in loco parentis* provided that:

1. for the previous college year the parents (or other persons *in loco parentis*) have provided no financial support to cover the student's cost of education; and
2. that for such year, the applicant has not been claimed by his or her parent as a tax exemption for Federal income tax purposes.

The financial aid officer is expected to satisfy himself/herself that the foregoing conditions have been met, and to require any evidence necessary to support his or her findings.

These two criteria were applied to students applying for National Defense Student Loan Program funds and Educational Opportunity Grant funds in Administrative Memoranda dated March 1966.

These criteria were given prominence and cited as "the official U.S. Office of Education position" in a 1966 pamphlet, "Determining Awards Under Federal Student Aid Programs." The 1967 National Defense Student Loan Manual and the 1968 College Work-Study Manual reiterate these criteria.

From 1966 to 1978, students applying for a Guaranteed Student Loan (GSL) had to complete the following three questions which were asked on all GSL applications in order to have dependent or independent status determined:

1. During the preceding 12 months, student did not reside with his or her parent(s).
2. Not claimed as dependent on parent(s) Federal Income tax.
3. Did not receive in excess of \$ amount (based on IRS — changed as IRS changed amount for deductions).

Although these questions differed from those used in the other programs, they were similar in concept.

The 1971 Educational Opportunity Grant Manual expanded the definition which appeared in the Administrative Memoranda. The criterion pertaining to dependents listed for income tax purposes was basically kept intact while the criterion pertaining to support received was expanded to two separate

criteria. Section 503.B of the 1971 EOG Manual stated that —

To document that a student has established independence from his or her parents, the institution must have on file the following information from the student:

1. That she/he has not resided with his or her parent(s) or persons acting *in loco parentis* for at least 12 months prior to the date Federal aid is first received by the student;
2. Was not claimed as an exemption for Federal income tax purposes by either parent or any other person (except spouse) for the tax year prior to the year Federal aid is first received by the student; and
3. Received no significant financial assistance of any kind from one or both parents or person(s) acting *in loco parentis* during 12 months prior to the date Federal aid is first received by the student.

The student must provide copies of his or her own income tax form for the previous two years. The aid officer may accept a signed statement from the student in lieu of the copies of the forms if the student provides the equivalent information.

In a supplemental insert to the NDSL, CW-S, and EOG Manuals, point three above was amended to read —

Has not and will not receive financial of more than \$200, including room and any kind from one or both parents or persons acting *in loco parentis* in the year in which aid is received. A student more than sided v more. (

This supplement was issued at the same time as the EOG manual and the \$200 figure appears to be a clarification of the "no significant financial assistance" phrase rather than attempting to establish some benchmark figure such as the IRS exemption claim amount.

The Education Amendments of 1972 (P.L. 92-318) established the Basic Educational Opportunity Grant Program and renamed the Educational Opportunity Grant Program as the Supplemental Educational Opportunity Grants Program. As an essential

feature of the Basic Grant Program, the eligibility formula, known as the Family Contribution Schedules, was required to be published as a proposed regulation and submitted annually to Congress for approval. The first schedules were published for the 1973-74 academic year. The February 2, 1973 notice of proposed rulemaking and the June 11, 1973 final rule contain identical language defining an independent student. This definition expanded and further clarified the period during which an applicant must have been independent, or more precisely, self-supporting and states that—

“Independent Student” means a student who:

- (1) Has not and will not be claimed as an exemption for Federal income tax purposes by any person except his or her spouse for the calendar year(s) in which aid is received and the calendar year (base year) prior to the academic year for which aid is requested.
- (2) Has not received and will not receive financial assistance of more than \$600 from his or her parent(s) in the calendar year in which aid is received, and the calendar year (base year) prior to the academic year for which aid is requested, and
- (3) Has not lived or will not live in the home of a parent for more than two consecutive weeks during the calendar year in which aid is received and the calendar year (base year) prior to the academic year for which aid is requested. (45 CFR 190.42)

The three criteria in the definition are intended to provide the student a means of demonstrating a history of self-support. This definition incorporated the principles that information should be from the base year and that this information was to have been reflective of actual Federal income tax returns (both established as early as 1959 for NDSL), residence in the parent's home (established in 1965 for CW-S), and substantial support in money or in kind from the parents (established in 1971 for EOG). This definition remained unchanged for the Basic Grant Program until the 1979-80 academic year.

This same definition was incorporated into regulations for the Supplemental Educational Opportunity Grant Program (45 CFR 176.2) on October 25, 1974, and the College Work-Study (45 CFR 175.2) and the National Direct Student Loan (45 CFR 174.2) programs on November 24, 1976 and has remained the same for these four title IV aid programs.

Because of a perceived increase in independent students applying for Basic Grants and continuing

discussion about the independent students definition, a notice of intent was published on November 29, 1976 asking for comments about revising the three criteria used to define an independent student. Among the possible factors to consider in defining a financially independent student, the notice cited the following:

1. *Tax exemption.* Should being claimed as a tax exemption for Federal income tax purposes be used as an indicator of dependency?
2. *Marital Status or Dependents.* Should consideration be given to those students who are married or have dependents for whom they provide at least one-half support?
3. *Age.* Should age be a factor in determining dependency, and if so, what age limit should be established?
4. *Residence.* Is residence at a parent's home an indication of dependency? If so, what limit on the length of residence should be established?
5. *Employment.* When determining a student's independent status, should prior employment history or other visible means of support be required?
6. *Actual financial contribution by parents.* What amount of financial support should disqualify a student from being considered independent?

Based on the responses received to the notice, the Office of Student Financial Assistance published a notice of proposed rule on July 12, 1977, to revise the independent student test. Two modifications were proposed:

1. An extension of the Federal tax exemption criterion to apply for two calendar years prior to the year(s) for which aid is requested, rather than one calendar year, and
2. An increase from the two weeks requirement to six weeks an independent student may reside with his or her parents during the year(s) for which aid is requested and the prior calendar year.

These modifications were proposed because there was increasing concern that there was a shift from the concept of the parents' responsibility for the postsecondary education of their children and that the three criteria were being readily circumvented by those parents who choose not to claim a student as a tax exemption during the base year in order to qualify the student as an “independent” applicant.

The proposed modification to the independent

student definition generated a great deal of adverse public comment. In addition, the comments received during Congressional hearings on the 1978-79 Family Contribution Schedules caused the indefinite postponement of the extension of the Federal income tax criteria to two years. However, the changes from two consecutive to six total weeks allowable residence, as well as an increase of the \$600 support figure to \$750 were incorporated in the revision to the independent student test as part of the 1979-80 Basic Grant Family Contribution Schedules published on March 23, 1979. Identical revisions were made at the same time in the definition of an independent student for the campus-based programs. The reason for the latter change is that the support amount has generally been tied to IRS's personal exemption amount which was increased to \$750. The residence limitation was extended from two consecutive weeks to six total weeks because public comment considered the six total weeks to be a reasonable period of time in which a student can be expected to visit his or her parents without classifying the student as dependent. Residence with parents which extends for more than six weeks is considered as an indication of parental support to the student.

Historically, under the campus-based programs it was in the best interest of institutions to have a definition which allowed a relatively high number of students to apply as independent students. Such a definition allowed institutions to qualify for higher allocations under the campus-based programs. Independent students, not having the benefit of a parental contribution, were able to demonstrate higher needs than generally resulted with dependent students. This was true under the old "panel" method of funding eligible institutions. However, institutions are now more inclined to restrict the number of students entering the independent student category because of stabilized funding levels. As a result, independent students are taking an increasing share of the institution's financial aid dollar which has been further eroded by inflation. Many schools have to refuse aid to increasing numbers of dependent students because campus-based regulations state that aid must be "reasonably available" to all students. This means that institutions cannot deny aid to a category of students, i.e., independent students. In ranking students by need, the independent students, in general, have greater financial need than dependent students. Recently, there has been more emphasis placed on the definition of "independent student" due to three factors:

1. changes in campus-based funding procedures;
2. higher costs of attendance, an inflated dollar which meets smaller amounts of those costs, and
3. appropriation levels which are insufficient to meet institutional needs.

The result is a movement in the financial aid community toward making the independent student definition more stringent. Suggestions seem to be directed toward requiring applicants to provide a longer history of self support, possibly two prior years of income tax independency. Also, there is support for required evidence which demonstrates independence, such as proof of earnings for a prior year or years.

Current Position

A part of the independent student definition was adjusted for the 1981-82 academic year. The criterion that was changed is the question of whether or not the student's parents have provided him or her with more than a certain amount of support. The amount was raised from \$750 to \$1,000. The change paralleled the increase to \$1,000 — the same as the IRS personal exemption amount. Where previously a student would be dependent if his or her parents contributed more than \$750 in support, in the 1981-82 academic year, the student will be dependent only if the parents provided more than \$1,000 in support.

The Education Amendments of 1980 (P.L. 96-374) in Section 482(a) (1) mandates that a married student is no longer required to meet the three criteria for independency during the base year but only in the year of application for aid. The "year of application for 1982-83" is defined as 1982 because of considerations related to the application processing system. Thus, for 1982-83, only those dependency questions that relate to the 1982 calendar year will be pertinent in determining a married student's independent status.

Another change mandated by Section 482(a) (1) is a reduction of the \$1,000 support figure to \$750 as it applies to married students. Thus, while the comparable question to the support received that was used in the 1981-83 academic year was \$1,000, the figure for 1982-83 will be lowered to \$750. For purposes of consistency and, equally as important, for purposes of forms design, the \$750 support received figure will be used for both married and single students.

Therefore, in 1982-83 an independent student will be defined as —

- (a) A single student who for 1981 and 1982—
 - (1) Has not lived and will not live for more than six weeks in each year in the home of the parent(s) for whom income must be reported according to the regulations for the Pell Grant and campus-based programs;
 - (2) Has not been claimed and will not be claimed as a dependent for Federal income tax purposes by the parent(s) for whom income must be reported according to the regulations for the Pell Grant and campus-based programs; and
 - (3) Has not received and will not receive financial assistance of more than \$750 in each year from the parent(s) for whom income must be reported according to the regulations for the Pell Grant and campus-based programs; or
- (b) A married student for 1982—
 - (1) Will not live for more than six weeks in the home of the parent(s) for whom income must be reported according to the regulations for the Pell Grant and campus-based programs;
 - (2) Will not be claimed as a dependent for Federal income tax purposes by the parent(s) for whom income must be reported according to the regulations for the Pell Grant and campus-based programs; and
 - (3) Will not receive financial assistance of more than \$750 from the parent(s) for whom income must be reported according to the regulations for the Pell Grant and campus-based programs;

Thus, after the enactment of the Education Amendments of 1980, the definition of an independent student remains essentially unchanged from the independent student definition first published in regulations in 1973.

2. Independent student applicants

Pell (Basic) Grant Program

The percentage of independent students as part of the total applicant pool has consistently increased over the last five years. There were few independent student applicants during the first three years of the Pell Grant Program (1973-73 through 1975-76) because of the method by which the program restricted student eligibility. These restrictions stemmed from both a concern that the start-up processes and procedures of application processing be as efficient and as effective as possible and because of the limited amount of funds available.

The restrictions on student eligibility may have adversely affected independent students. By limiting eligibility to students who enrolled full-time for the first time after April 1, 1973, a substantial majority of the applicant pool were freshman entering college directly after high school and, therefore were not in a position to demonstrate a history of self-support. In addition, anyone who had taken college courses prior to April 1, 1973 was ineligible to apply for a Pell Grant, further reducing the possible independent student applicants. For example, in 1973-74 of almost 500,000 applicants, only 12.3 percent or 59,000 students were independent. Another class of eligibles was added to the applicant pool in 1974-75. Only 16.5 percent or 217,000 students were independent out of a total applicant pool of 1.14 million. With the addition of a third class of eligibles in 1975-76, almost 584,000 or 26.8 percent students were independent out of a total applicant pool of 2.178 million. Student eligibility was still restricted only to full-time students.

For the 1976-77 year, the Pell Grant applicant pool included all four traditional college class years. In addition, the student eligibility pool was expanded to include those students who were enrolled three-quarter-time and half-time. The expansion of the eligible applicant pool caused a 10 percent increase in the independent student filers over the 1975-76 year. Although the available data are inconclusive as to the precise reasons for this 10 percent increase, the presumption can be sustained that significantly more independent students enrolled less than full-time. Out of a total applicant population of 3.4 million, 36 percent or 1.23 million applicants filed as independent students. From 1976-77 through the estimate for 1981-82, the percentage of eligible independent student applicants has increased with 1981-82 estimates indicating independent students as 42-46 percent of the eligible applicant pool. Appendix A gives a breakdown of Pell Grant applicants, eligible applicants, and recipients for the years 1976-77 through 1981-82.

Campus-based Programs

In the campus-based programs, data on independent student status are available only for undergraduate students. Even within that category, there has been considerable fluctuation in the percentage of independent students from one year to the next, but the progression has been toward more student's filing as independent. Table 4 gives a breakdown of independent undergraduate

tudents as a percentage of total undergraduate recipients for the years 1970-71 through 1979-80.

Although we have no data from the Fiscal Operations Reports which allows us to determine the percentage of graduate students who are independent, it is reasonable to assume that the percentage would be higher in that category, since those students are typically older. Thus, the percentage of all campus-based recipients who are independent would probably be in excess of 31 percent.

Independent Student Income Assessment Rates

In addition to the definition of who is an independent student, there is the question of the treatment of the independent student's resources since the student is expected to be the major contributor to his or her own educational expenses.

Pell Grant Program

From 1973-74 through 1978-79, the income assessment rates for independent students remained the same. These rates were based upon the principle that since the independent student is the direct beneficiary of his or her training, the student should contribute a greater portion of his or her income to help defray postsecondary educational expenses.

For single independent students, the assessment rate was 75 percent against any income in excess of the offset allowed for living expenses. For married independent students without dependents, the assessment rate was 50 percent, and for independent students with dependents other than a spouse, the assessment rate was 40 percent.

As part of the Pell Grant Program need analysis system, there are basic subsistence expenses which must be met before any contribution from income can be expected. These expenses or offsets vary depending on the size of the family involved. For the single independent student, this offset was set at \$700 in 1973-74 and covers the student's summer living expenses. The single independent student offset was substantially different from all the other family size offsets and was computed on a unique basis. Using the same base for deriving the family size offsets as is used for multiple member families (weighted average thresholds at the low income level) the family size offset for a single member family was \$2,114 in 1973-74. Since a student is in school for approximately 65 percent of the year (two 16 week semesters plus a two week break between semesters) and the expenses for this 34

week academic year are covered in the student's cost of attendance, the \$700 offset was intended to provide for the student's expenses during the period of time when (s)he was not in school.

The enactment of the Middle Income Student Assistance Act (MISAA) of 1978 (P.L. 95-566) incorporated two significant liberalizations in the treatment of assessment rates for independent students. These changes are:

1. To calculate the family size for single independent students in the same manner as all other family size offsets are calculated, and
2. To assess the assets of independent students with dependents at the same rate, and with the same asset reserves as the assets of dependent students' parents.

MISAA was designed to make the Pell Grant Program available to more students from middle income families. The following changes were made regarding independent students: (1) The base established in 1973-74 for computing the family size offset for single independent students was changed to the actual weighted average threshold at the low income level. For 1979-80, the offset was \$3,450. (2) Asset reserves of \$25,000 and a reserve of up to \$50,000 was allowed for those with farm and business assets, coupled with an assessment rate of five percent to be applied to assets above the level of the reserve.

For 1980-81, the assessment rate of discretionary income was reduced for independent students with no dependents other than a spouse from 40 percent to 25 percent. These two reductions in assessment rates of discretionary income diminish the gap between the treatment of the discretionary income of independent students with dependents and the treatment of the discretionary income of dependent students' parents, which, according to MISAA, is assessed at a rate of 10.5 percent as required by MISAA.

As part of President Reagan's budget reform proposals, the family size offsets for the Pell Grant Program's computation of financial need were not adjusted for the 1981-82 year to reflect inflation but were held to the 1980-81 levels.

Campus-based Programs

Under the Pell Grant Program a specific method of calculation is used to determine an independent student's financial situation. The same method can

be used to calculate the amount of campus-based aid as well. In addition, the campus-based programs allow the use of other methods to determine need for campus-based funds (approved need analysis systems) which generally subscribe to the "Uniform Methodology" (UM). Under these systems, need is determined by including *all* educational costs in the student's budget while recognizing *all* of the student's resources.

Since the Pell Grant Program calculation uses an "offset," or allowance, for maintenance costs, the student's budget must not include these maintenance costs. The student has already received credit for meeting these costs through that offset. The treatment of certain data is different between the Pell Grant and UM calculations, resulting in different levels of need which can be met with campus-based program funds.

1982-83 Treatment

For the 1982-83 award year, the income and asset treatment for independent students is expected to be similar to the treatment used in 1981-82.

State Experiences

According to the *12th Annual Survey: 1980-81 of the National Association of State Scholarship and Grant Programs*, 32 states use the Department of Education's definition of an independent student in their state programs, while four states give no consideration to the student's independent or dependent status. Fourteen states use more stringent definitions.

California

1. A student may not have lived with either parent for more than 6 weeks or received financial assistance of more than \$1,000 from either parent for any of the three consecutive tax years before the award period for which aid is requested, and may not have been claimed as an income tax exemption for the same period by anyone other than the student or his or her spouse.
2. The student is 30 years old or older (unless there is substantial evidence of parental support at that age).
3. The student has been a ward of the court (in this case, appropriate court documents must be submitted to CSAC) or an orphan.
4. The student has been a part of an extremely adverse (home) situation documented and supported by school or responsible community personnel (minister, social worker, etc.) which has led to estrangement from family, and the student has not received a contribution in cash or in kind from the family for the preceding 12 months. (Full documentation must accompany the SAAC). This requirement could only be applied under the Federal campus-based programs.

For students that do *not* fall into one of the above categories, the institution must consider the income of the student's parent(s).

A recent study at the University of California at Santa Cruz indicates that 14.5 percent of 2,000 students were independent under ED criteria and dependent under California's. These 290 students had a California-determined average *parental contribution* of \$3,143 in addition to the student contribution expected of a student who is independent under the Federal definition.

New York

For the state of New York's Tuition Assistance Program (TAP), there are two conditions for determining independence:

Basic Conditions

The Student—

- A. Did not and will not live with the parents for more than 6 weeks during 1980, 1981, or 1982. The student must answer Yes if (s)he lived in an apartment, house, or building owned or rented by the parents even if the student pays rent to his or her parent(s).

NOTE: If a veteran was discharged from active duty on or after 7-1-79 and lived with the parent(s) for no more than 6 months or immediately following discharge, (s)he would answer no.

- B. Was not and will not be claimed as a dependent by his or her parents on either their Federal or state income tax return during any one of the calendar years 1980 and 1981.
- C. Did not and will not receive gifts, loans, other financial assistance, or support valued in excess of \$750 from his or her parents during any of the calendar years 1980, 1981, 1982.

Special Conditions

The student must document one of the following special conditions:

1. The parents - each is either deceased, disabled, or declared incompetent-or
2. The student is on public assistance or is a ward of a court (or of the state, a county, or a municipality). Public assistance does not include Aid to Dependent Children (ADC), food stamps, or unemployment insurance. The student must be getting public assistance as an individual and not as a dependent of his or her parents—or
3. The student has been rendered financially in dependent due to the involuntary dissolution of the family, resulting in relinquishment of his or her parents' responsibility and control. The student will be required to provide official documentation such as court orders, evidence from social service officials, or sworn statements.

Waiver of special conditions—

1. was married on or before December 31, 1980
2. is enrolled as a graduate student
3. Received a TAP award as a financial independent student in the 1980-81 academic year.

If a student is or will be under 22 years old on June 30, 1981 (s)he must meet both Basic and Special Conditions listed above. If the student will be at least 22 years old but under 35 on June 30, 1981 (s)he must meet the Basic Conditions only. If the student is or will be at least 35 on June 30, 1981, then (s)he is determined financially independent.

Washington

The state of Washington started its own state program in 1970-71. Their funds were so limited that in the first year, the program was only available for

dependent freshmen. With each additional year in operation, Washington was able to add a year until all dependent undergraduates were eligible to apply. In 1972, it was decided that independent students would be able to apply, but they still had to submit parental financial information (income tax returns).

In 1974, the Commission imposed the condition that, in order for a student to be considered independent of his or her parents (s)he could not have been claimed by the parents for Federal income tax purposes for the previous five years. Washington has the same basic requirements as New York and California, e.g., ward of the state, adverse home situation, but Washington does not have the age cap.

The financial aid community in Washington recently raised the issue regarding the extreme difference between the Federal two year and state five year criteria that—for a student to be considered independent of his or her parents, (s)he could not have been claimed by the parents for income tax purposes.

For instance, a student that was not claimed as an exemption for the past three tax years would be eligible for Federal assistance as an independent student but would have to be treated as dependent for state assistance. Because the aid community in Washington believed the Federal and state criteria varied to such an extreme, several months ago, Washington changed its five-year requirement for state assistance to three previous years.

The state of Washington believes the change in this criteria still allows them to fully meet their priorities, which are:

1. To ensure that limited state funds are directed to the neediest students, and
2. to ensure the parents' primary responsibility to contribute to, if not pay for, their children's higher education.

Oregon

During the 1980-81 award period and using the Federal definition, 64 percent of the state grant recipients were independent. Five years ago, independent students were only 38 percent of the state grant recipients. It is interesting to note how quickly students catch on to becoming independent.

1980-81 recipients	Independent	Dependent
1st year students	1440	2200
2nd year students	2500	1500
3rd year students	2000	900
4th year students	1700	500

Pennsylvania

In September, the Pennsylvania Higher Education Assistance Agency published a report called "The Costs of Aiding Dependent Students Who Become Independent for Financial Aid Purposes: The Pennsylvania Experience." The findings present this dilemma.

- It was discovered that at least 8.7 percent of those who received Pell Grants as independent students in 1981-82 had been denied grants as dependent students in an earlier year.

- About 6 percent were denied Pell Grants as independent students in 1980-81 but received them as independent students this year.

- Another 11.6 percent had received Pell Grants as dependent students in 1980-81.

- Nearly half of the "denied dependent" students of 1980-81 came from families with incomes above 24,000 and over one-fourth came from families with incomes above 30,000.

- If the Pennsylvania experience is representative of the national experience with independent students, the increased awards to dependent students who become "independent" may cost the Pell Grant Program as much as \$23.5 million in 1981-82.

Three other excerpts from the study complete the discussion of the problem:

- Because the Pell Grant criteria for "independent student" status is used in Federal campus-based programs, it is quite probable that students who become "independent" create an additional drain on the already limited funds available through these programs. An estimate of the magnitude of these costs was not obtained because financial aid administrators can exercise some discretion in making campus-based program awards to students and the ways in which individual aid administrators respond to applications from "newly independent" applicants are unknown.

- When students become "independent" and their families are not required to help meet the students' educational costs, one of the basic principles in student financial aid is violated. That principle is that students *and parents* should contribute as much as they can reasonably afford to spend to meet college costs. When family financial resources are available but not contributed by parents of "independent" students, an inequitable situation is created for students and parents who do make sacrifices to pay for college costs.
- No one in the financial aid community would deny that there are many, many students who are truly independent and have only their own resources to draw on to meet college costs. No one would argue that these truly independent students should not receive financial aid to help meet their costs if their costs exceeded their resources. The problem is that some students (and parents) have apparently taken advantage of the financial aid regulations by becoming "independent" so that they can receive aid (or more aid) and reduce their own personal/familial expenditures for education.

Options

The Department of Education would like to solicit public reactions to the various alternatives outlined below.

Option 1: Maintain the current criteria and number of years currently considered.

Currently, an independent student must demonstrate that:

1. (s)he did not and will not be claimed as a dependent for Federal income tax purposes by his or her parents for the previous calendar year (base tax year) to the year aid is requested.
2. (s)he has not and will not receive assistance of more than \$750 in each year from his or her parents (proposed for 1982-83), and
3. (s)he has not and will not live for more than six weeks in each year in the home of his or her parents.

Option 2: Maintain the current criteria base year and drop the estimated year data.

Because the estimated year information is highly accumulative, have the determination made on base year information.

Option 3: Maintain deduction for tax purpose in the year as "living with" and "cash on hand" are fully unverifiable.

Option 4: Validate independent student status. This option would be considered along with adoption of options 1, 2, or 3.

begun in 1978-79, validation procedures require certain applicants to submit documentation about personal and financial information provided on their application for Pell Grants. Applicants are sent for validation because the information they provided is outside the edit check parameters.

Validation will be expanded in 1982-83 to include a random selection of applicants who do not qualify for Pell Grants, but who qualify for campus-based aid. Validation is performed by the college financial administrator (according to guidelines established by OSFA). Although independent students with incomes were selected for validation in a one-year study during 1980-81, preliminary results indicate that this select group, as a whole, was accurately reporting their base year income. There is the question of validating the information concerning the other two criteria which are whether the student lived with his or her parents and whether or not that student received a cash contribution from them.

Concomitant with the expansion of validation in 1983, a random selection of independent students could be selected for validation in two categories:

those independent students who qualify for Pell Grants and campus-based aid, and

those independent students who qualify only for campus-based aid.

If random selection would be based solely on the fact that the student declared independent status. In addition, independent student applicants would still be chosen for validation on the basis of financial edit criteria.

With this option, any number of independent student applicants could be validated, though the selection should be at least five to ten percent to be statistically defensible.

Option 5: Readjust independent student offset.

The Middle Income Student Assistance Act (MISAA) of 1978 required that the single independent student's offset be based on the full amount of the weighted average thresholds at the low income level rather than the lower offset figure established in 1973-74. The 1973-74 offset for the single independent student was computed by using 35 percent of the offset established for a single person. The rationale for using this lower amount was that since the student was expected to be in school for about eight months, that student's living costs for the academic year were already taken into account in the cost of education. Thus, the offset reflected living costs for only the non-school months. MISAA's liberalization raised the single independent student offset in 1979-80 from \$2,200 to \$3,450 thus decreasing by up to \$1687 some students' contribution to education costs and thus increasing Pell Grant and campus-based aid to these students.

Option 6: Keep the current criteria for award (estimated) and two prior years.

Option 7: Current criteria for award (estimated) and three prior years.

Option 8: Students would not be able to change from dependent to independent while maintaining full time enrollment in postsecondary education.

Option 9: No one under a certain age (for example, 21, 25, 30) can be independent.

Possible exceptions:

- married
- married with dependents other than spouse
- ward of the court or both parents deceased

Option 10: The student demonstrates self-sufficiency in that (s)he has lived independently of any outside source, with the possible exception of public assistance, for a certain period of time.

Option 11: No one may claim to be independent prior to four years from his or her high school graduation.

No one can claim independent status prior to four years from the date of his or her senior class high school graduation. This would reduce independency in the 18-21 year old student group. This option would also restrict a person who did not graduate from high school from becoming independent before the time (s)he would normally have

graduated from high school.

Possible exceptions:

- married
- married with dependents other than spouse
- ward of the court or both parents deceased

Please send us your reactions to the above options and suggest any others that may come to mind. It is our intent to propose changes to the current definition and we would like to hear from you. Send your comments by February 5, 1982 to:

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Appendix A—Statistics

well as total, from 1973-74 to 1976-77, with eligible population. Again, however, this proportion has generally leveled off (with perhaps a *slight* upward trend) since 1976-77, although the number of eligible independents (and total eligible) has gradually increased.

Table 3 shows the number of independent recipients and total recipients of Basic (Pell) Grants from 1976-77 to 1981-82 (estimate based on the Administration's FY81 proposal). Breakdowns of recipients by dependency are not available for 1976-77 or prior years. As with applicants, there has been a gradual increase in the number of recipients, both total and independent, since 1977-78, primarily it would seem, because of the enactment of the Middle Income Student Assistance Act. The Administration's proposal for 1981-82 would appear to decrease the total number of recipients somewhat, but with a slight increase in the number of dependents. As a result, the proportion of independent recipients to the total recipient population increased to a small extent (approximately two percent).

Table 4 shows the unduplicated total of independent undergraduate campus-based recipients for the years 1970-71 through 1972-73 and 1975-76 through 1976-77, the unduplicated total of undergraduate recipients and the percentage of independent undergraduate recipients to the undergraduate total.

(Tables 1-4 on facing page)

Table 1

**BEOG (Pell) Program Independent
Applicants from 1973-74**

Total Applicants

	Total Independent Applicants	Total Applicants	Percentage Indep Apps to Total
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1973-74	59,102	482,331	12.3%
1974-75	217,718	1,114,084	19.5%
1975-76	584,242	2,178,696	26.8%
1976-77	1,234,500	3,408,718	36.2%
1977-78	1,386,229	3,621,641	38.3%
1978-79	1,198,584	3,401,428	35.2%
1979-80	1,430,798	3,984,088	35.9%
1980-81	1,688,754	4,465,718	37.8%
1981-82 (est.) (from A-B Model)	1,834,841	5,148,391	35.6%

Table 3

**BEOG (Pell) Program Independent
Recipients from 1976-77**

Year	Total Independent Recipients	Total Recipients	Percentage Independent Recipients to Total
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1976-77	N.A.*	1,931,994	N.A.*
1977-78	710,133	1,846,080	38.5%
1978-79	674,262	1,836,808	36.7%
1979-80	856,979	2,537,875	33.8%
1980-81 (estimated) (from A-B Model)	1,071,451	2,815,467	38.1%
1981-82 (estimated) (from A-B Model)	1,114,201	2,776,328	40.1%

* Data on recipients by dependency status (dependent v. independent) are not available prior to 1977-78. Prior to that year, the Program routinely collected information on *applicants*; however, it was not until 1977-78 when applicant information was merged with the award data from the institutions that data on joint applicant/recipient information became available.

Table 2

Total Eligible Applicants

	Total Eligible Indep Apps	Total Eligible Applicants	Percentage Indep Apps to Total
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1973-74	39,803	268,444	14.8%
1974-75	148,943	681,648	21.9%
1975-76	433,251	1,455,187	29.8%
1976-77	867,610	2,262,348	38.4%
1977-78	996,093	2,390,320	41.7%
1978-79	880,280	2,228,603	39.5%
1979-80	1,153,001	3,129,209	35.8%
1980-81	1,443,673	3,327,953	43.4%
1981-82 (est.)	1,458,000	3,250,000	44.9%

Table 4

**Campus Based Program Independent
Undergraduate Recipients from 1970-71**

Year	Total Independent Undergraduate Recipients	Total Undergraduate Recipients	Percentage Independent Undergraduate Recipient to Total Undergraduate Recipients
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1970-71	167,394	893,037	18.7*
1971-72	161,630	947,902	17.0
1972-73	202,140	1,216,677	16.6
1973-74	**	**	**
1974-75	**	**	**
1975-76	333,470	1,758,086	18.9
1976-77	373,946	1,426,500	26.2
1977-78	306,974	1,314,518	23.3
1978-79	330,432	1,241,492	26.6
1979-80	506,718	1,617,436	31.3

* Total Undergraduate and Graduate Recipients. Data are combined for FY 71

** Unduplicate count of campus based recipients not available.

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